



The Directors College

The Board, Human Resources, Culture and Change

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Agenda

- The Human Resource Committee
- The Board and culture
- The Board and change
- Specific HR governance issues in the LDC community

Board General Obligations

- Hire, fire and compensate the CEO
- Constructively engage in strategy
- Monitor the performance of the organization
- Provide direction to the organization and “gain a reasonable level of assurance that the organization is going substantially in the direction approved”



Practical Board Issues

- Information asymmetry between Board and management
- The agency problem
- Longevity and continuity (turnover)
- Board capture
- Board effectiveness
 - Time
 - Chair
 - Skills



Types of Board Member Selection

- Traditional – nominating committee puts forth a slate of directors
- Representative – board members are appointed as representatives of another body ie. Municipal councils, mayors
- Mix – there may be representative members and those nominated by a Board committee



The Role of the Human Resource Committee

- Compensation philosophy for executive pay
- Pay and performance links for the CEO
- Succession planning for the CEO
- Talent management
- Human Resource Committee composition
- Working with the HR department



The Committee's Compensation Philosophy

- Why have one?
- What is it?
- How do we compensate the CEO?
- When do we compensate the CEO?

CEO Pay and Performance – concerns of the Compensation Committee and the Board

- Links to strategic plan
- Links to risk assessment
- Links to vision and mission of the organization
- Measurability
- Subjective criteria
- Feedback



The Board and CEO Succession Planning

- Day 1, item 1
- Internal or external or both
- Primary Board responsibility
- Environmental scanning – skills matrix



Who Should be on the Board Compensation Committee

- Not the CEO
- HR Committee
 - Size
 - Diversity
 - Skills
- Non-Board members

The Board and the Human Resource Department

- The CEO and VP of HR
- Board needs data
- Board needs advice
- HR needs direction



Board Obligations

- Directing mind of the organization
- Obligation to do what is in the best interests of the organization itself no extraneous interests
- Ultimately responsible for all organizational operations



Board Obligations and Culture

- Culture is the life blood of the organization
 - If it is healthy then all other operations and strategies are good to go
 - If it is poisoned nothing will be effective over time no matter the brilliance of the concept
 - Culture eats strategy for breakfast



Board and Culture – Setting it

- Many ways to set organizational culture form the board level
 - Formally
 - Guiding principals
 - Vision, mission
 - Stated values
 - Informally
 - CEO
 - Actions in conflict
 - Walking the walk, talking the talk



Board and Culture - Formally

- Vision
 - Make operations and culture front and center
 - Forms basis for long range decisions
- Mission
 - How you go about operationalizing culture
 - Informs day to day decisions
- Stated values
 - Conscious articulation of values
 - Helps with alignment and consistency throughout organization



Boards and Culture - CEO

- CEO
 - Selection speaks to cultural priorities
 - Performance speaks to priorities and seriousness of board
 - Deviations of CEO and top management team are closely watched
 - Applies to professional and personal/community life
 - Represents organization 24/7 and represents culture internally but also for external consumption
 - Highest potential reward and highest potential risk



Board and Culture – Actions in Conflict

- To be treated as crisis management
- Decisiveness
- Response aligned with stakeholders
- Board vs. CEO leadership
 - Incident vs. systemic analysis
 - Level and intensity of response
 - Principles in action – time horizon and desired result



Board – Walking the Walk, Talking the Talk

- Inward vs. outward facing
- Consistency and constancy of actions
- Allocation of time to culture
 - Formal
 - Board meetings
 - Internal reports
 - Informal
 - “walk around management”
 - Authentic outreach and dialogue



Board and Culture – Final Words

- More than anything else the board needs to understand the culture of the organization
- Alignment between the Board and organization of theoretical vs. realistic state of culture sets the stage for possible change management
- Culture is pervasive, sticky and important to the organization and its participants



The Board and Culture Change

- The idea of culture change, any culture change, is daunting
- The time, persistence and thought that goes into culture change should not be underestimated
- Board structure is very important to approaching culture change



Board Assessment of Current States of Culture

- Understand where you are
 - Internal reports
 - Walking around
 - Employee surveys
 - External surveys



Where does the Board want to go on Culture

- Can you articulate where or how you want culture to change?
- Is it the organizational culture you want changed or the “operationalization” of the culture within the organization you want changed
- Why do you want change? Is it sellable?



Board Involvement in Cultural Change - Planning

- CEO is to execute strategy – including cultural change
- Is CEO on board? Top management team?
- What is the implementation plan
 - Management
 - Employees
 - Public
- How do you define and measure “success”?



Board Involvement in Cultural Change - Implementation

- Role of board
 - Group
 - Individually
 - Representative of specific stakeholder group
- Cohesiveness
 - Within Board
 - With CEO
 - With employees



Specific Board Issues to LDC

- C Suite Capabilities
 - Identification of changing LDC purpose and operations
 - Identification of skill sets to manage and maximize organizational performance
 - Assessment of current C suite skills matrix
 - Ability to influence culture
 - Ability to drive change



Specific Issues to LDC Board

- Demographic Workforce turnover (the Board's role)
 - Retirement plans
 - Retention
 - Recruitment
- Technological Workforce Relevance
 - Link between current and future trends and skill set inventories



LDC Board Cultural To Do List

- Do you know what the culture is?
- Is your knowledge and opinion shared by other Board members
- Do you communicate or interact with all levels of the organization?
- What is your individual action plan to “know” and “feel” the culture of the LDC?



LDC Board To Do List

- Constructively engage with CEO and HR department on culture and change
- Actively assess the current and future needs of the attributes needed in the C Suite with regards to culture
- Make recommendations to the Board/CEO on HR philosophy and strategy that will enhance the current or future state of culture in the organization



The Challenge

- The Board needs to provide wise direction considering informational, agency, longevity and continuity issues
- The Board must own culture and provide direction on change
- The Board must task the CEO to implement change be it in culture, risk or operations





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